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Drug Trend and Pipeline 2024

Overview

The complex pharmacy marketplace continues to evolve as new products are introduced and treatment paradigms are updated. Mercer Government's Pharmacy team, consisting of consultants and licensed pharmacists, and a former state Medicaid pharmacy director, monitors market and pipeline developments to incorporate real-time insights into our analyses. This FLASH contains projected pharmacy trend highlights for 2024 and beyond.

National Trend Projections

Overall Medicaid Spending Projections

In their June 2023 publication, the CMS Office of the Actuary projected average annual growth of 5.0% for Medicaid spending for 2022 through 2031.

"With the end of the continuous enrollment condition in 2023, Medicaid enrollment is projected to decline over 2023–2025, with most of the net loss in enrollment (8 million) occurring in 2024 as states resume annual Medicaid redeterminations. Medicaid enrollment is expected to increase and average less than 1% through 2031, with average expenditure growth of 5.6% over 2025–2031."

CMS projects spending growth for retail prescriptions will increase at an average rate of 4.6% over 2022–2031.

Medicaid Drug Trend

Medicaid pharmacy trend projections for traditional drug classes for 2023–2025 have increased from the previous period (2022–2024). Mitigated by the availability of biosimilar competition for Humira®, specialty drug trends were relatively consistent. Mercer Government reports per member per month (PMPM) trend gross of any rebates collected by state Medicaid programs or their contracted managed care organizations. The overall projected Medicaid drug trend also rose from the prior period's estimates.

Our team's robust trend development and review process project trends based on industry insights, professional judgement, and experience observed through Mercer Government's Medicaid clients. In our projections, we account for COVID-19 costs for vaccines and therapeutics shifting to state Medicaid programs. Information related to the drug pipeline, clinical guidelines, and post-pandemic experience is rapidly evolving, and we continue to evaluate and adjust pharmacy trend projects as needed throughout the year.

Traditional Drugs

2023–2024: 1.0% to 2.0%

2024–2025: 7.0% to 8.0%

Specialty Drugs

2023–2024: 5.5% to 9.5%

2024–2025: 6.0% to 10.0%

Overall Projected Medicaid Drug Trend

2023–2024: 3.5% to 6.0%

2024–2025: 6.5% to 9.0%

Trend Drivers and Other Considerations

Drivers in Traditional Drug Categories

The 2024–2025 projections for traditional drugs are significantly higher than 2023–2024 estimates, boosted by new therapies, manufacturer price increases and steady utilization gains in top categories, particularly diabetes.

Diabetes: Significant price cuts as well as biosimilars and generics for top insulin products put heavy downward pressure on unit costs. However, robust utilization growth and price hikes of non-insulin treatments, such as Ozempic®, Mounjaro™, Farxiga® and Jardiance®, more than offset these savings, resulting in high overall trend for the class.

Infections: We expect commercialization of COVID-19 vaccines and therapies, namely Paxlovid™, to drive a high unit cost trend in this category when states become responsible for the full cost of treatment. Another factor is utilization of influenza treatments rebounding to pre-pandemic levels.

Substance Use Disorders: Utilization of medication assisted treatment (MAT) for opioid use disorder will continue to rise as more individuals seek treatment post pandemic. Long-acting injectable buprenorphine products Sublocade® and newly released Brixadi® are gaining market share, increasing unit costs.

Mental/Neuro Disorders: Several generics for Latuda®, a popular branded antipsychotic, arrived in 2023; driving down unit cost trend. Alternatively, increased utilization and annual price increases of newer products Vraylar® and Rexulti® exert upward pressure, which is projected to continue in future periods.

Drivers in Specialty Drug Categories

Trend projections for 2024–2025, notably mitigated by the availability of biosimilars for blockbuster drug Humira and a handful of generic entrants, are comparable to 2023–2024. Specialty drugs will continue to grow as a percentage of drug spend, accounting for over half of drug spend.

Rheumatoid Arthritis and Other Inflammatory Conditions: Multiple biosimilars for market leader Humira®, including interchangeable versions, launched in 2023 with additional products expected in 2024. Stelara®, another bestselling drug in the class, will also face biosimilar competition starting in 2025. Although biosimilar entry and price erosion reduce trend, new market entrants and expanded uses of existing products continue to push utilization up and keep overall trend positive.

Oncology: Over 700 new investigational drugs are in the oncology pipeline. New products are introduced at higher price points than existing therapies. The annual cost of new oncology products often exceeds \$250,000. There is little downward pressure on trend in the oncology category; Mercer anticipates generic

entry for a limited number of targeted therapies including Tasigna® and Sprycel®, during the 2024–2025 period.

HIV: Single tablet regimens have become the treatment standard for new and existing users. High-cost branded products Biktarvy®, Genvoya®, and Triumeq™ now account for over 60% of spend in the HIV category. Unit costs will continue to increase as more patients migrate to single tablet regimens and manufacturers continue to increase prices each year. New long-acting injectable products, available for both HIV treatment and Pre-Exposure Prophylaxis (PrEP), are also gaining market share and are priced at a premium to oral formulations.

Multiple Sclerosis: The launch of multiple generics for popular oral agents Aubagio® and Gilenya® have contributed to declining unit cost category trends. Conversely, utilization of costlier injectable biologics, such as Kesimpta® and Briumvi™, is expected to grow over time mitigating unit cost declines realized by the aforementioned generic entrants.

Gene Therapy Pipeline

Gene therapies, which modify genetic material to improve function or cure a disease, are commonly priced between \$1 million and \$3.5 million for a one-time dose. These treatments must be administered in a clinic or hospital setting and are not dispensed by outpatient pharmacies. As such, gene therapies are not incorporated into Mercer Government's general pharmacy trend projections. There were four significant gene therapy approvals in 2023 and a robust pipeline of products nearing approval by the U.S. Food and Drug Administration (FDA).

Roctavian™, the first gene therapy for hemophilia A, was approved in June 2023 for use in adults.

Casgevy™ and Lyfgenia™ were approved in December 2023 for sickle cell disease in patients aged 12 years and older. An estimated 20,000 people nationwide could eventually be eligible for therapy, although we expect actual uptake will be limited to a small portion of that.

The first Duchenne muscular dystrophy (DMD) gene therapy, Elevidys, was approved in June 2023 for ambulatory patients aged 4–5 years old. Eligibility could be further expanded to ages 6–7 in 2024.

Multiple gene therapies for ultra-rare diseases as well as additional therapies for hemophilia and DMD are expected to enter the market in 2024–2025.

Conclusion and Outlook

Outpatient prescription drug trends for 2024–2025 exceed 2023–2024 appreciably, driven by high growth of traditional drugs, particularly in the diabetes space. The introduction of new generics and biosimilars softens trends but is outpaced by manufacturer price increases, growing utilization of brand drugs, and costly new products. Meanwhile, a steady pipeline of specialty drug approvals, many for rare diseases, will further impact trends. Outside of pharmacy trend, the gene therapy marketplace continues to evolve, signaling that one-time curative treatments for rare and difficult-to-treat conditions will become more common.

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For More Information

The Mercer Government Pharmacy team works with clients to inform and educate on the financial and clinical implications of pipeline products and pharmacy trends.

Please contact [Ryan Ferguson](#), [Noah Greenberg](#), [Bethany Holderread](#), or your Mercer pharmacy consultant to talk through the potential impact of these new therapies and updates to your specific state program. You may also email us at: mercer.government@mercer.com.

[CMS Office of the Actuary Releases 2021-2030 Projections of National Health Expenditures | CMS](#)

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